

Business Plan

Dairyman Farm



Bill & Mike Dairyman

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*Prepared by: Bill & Mike Dairyman with technical assistance provided by
Betsy Miller from UVM Extension Service, Dolce, Ltd., Farm Management Consultant,
and Farm Planning Services, LLC.*

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I. Executive Summary

Narrative Summary:

Bill Dairyman currently owns and operates, with his son, an expanding 85 Holstein cow dairy farm located in Anywhere, VT. Our mission is to produce high quality milk in a way that provides an adequate income for our family.

The purpose of this business plan is three-fold:

1. It is intended to serve as a farm operating and asset transfer guide during a period of transferring ownership of my cattle and machinery to my son Mike and also to guide us operationally during the period of expanding the farm's herd size over the next 3 years.
2. It is also intended to support any requests for financing by Bill in 2008 and by Mike in 2009 and subsequent years.
3. It is further intended to outline specific goals, benchmarks for success, and action step timelines which will guide us with our planned improvements to facilities, implementation of improved management practices, increased herd production and net income goals over the plan period.

The key issues facing our operation are:

- Need to increase net farm income to a sustainable level for Mike's future in dairying
- Need to increase our dairy herd size and overall herd production
- Need to provide affordable, short term improvements to milking efficiencies and herd housing
- Need to secure financing for Bill's capital improvements in 2008
- Need to secure financing for Mike's capital acquisitions in 2009
- Need for legal guidance to finalize Mike's acquisition of cattle/machinery in 2009

We have developed farm net cash flow projections that we will use as benchmarks for tracking our progress in meeting our financial goals. We will continue to expand our herd on a planned basis by raising our own replacements. We will begin using Dairy Herd Improvement Association and PC dart herd management software in the summer of 2008 to better manage our growing herd. We will install a step-up parlor in our present dairy barn and construct a 45' X 96" hoop style barn over the existing barnyard at the south end of the main barn. We will work closely with VACC and /or Yankee Farm Credit to secure financing needs for Bill in 2008. Mike will work closely with FSA in 2008 in order to obtain financing to purchase Bill's cattle and machinery in 2009. He will also pursue enrollment in Farm Service Agency's farm financial record keeping training and take on a more active role with Bill in maintaining the farm's financial records in 2008. We will further consult with Annette Higby later in 2008 for the needed legal assistance required to finalize the transfer of cattle and machinery to Mike.

Financial Summary:

Net worth of the farm operation is \$908,245, an increase of \$90,305 from 2006. Gross cash sales increased marginally from \$208,849 in '05 to \$210,444 in 2006. Net farm income for 2006 was \$45,817, an increase of \$31,792 over 2005. The farm's rate of return on assets for 2006 was 5.21%, rate of return on equity 5.6%, and operating profit margin ratio was 24.04%. Net cash flow has steadily increased and

reached \$47,529 in 2006. The farm's current ratio has increased modestly from 1.29% in 2005 to 1.46% in 2006. Working capital has fluctuated from to \$8,434 in 2005, to \$19,151 in 2006.

A summary of our farm's recent key financial indicators/ratios is presented below:

	<u>2006</u>	<u>2007</u>	<i>Change</i>
Consolidated Net Worth	\$991,571	\$1,096,445	\$104,874
Farm Net Worth	\$817,571	\$908,245	\$90,674
Gross Cash Sales - Farm	\$210,444		
Net Farm Income - (Accrual adjusted for 2006)	\$45,817		
Return on Assets - Farm (Accrual adjusted, net withdrawals + interest)	5.21%		
Return on Equity - Farm (Accrual adjusted, net withdrawals)	5.60%		
Operating Profit Margin Ratio - Farm (Accrual adjstd,net withdrawals+int.	24.04%		
Net Operating Cash Flow - Farm	\$47,529		
Current Ratio - Farm	1.29	1.46	0.17
Working Capital - Farm	\$8,434	\$19,151	\$10,717

Farm Production History:

<u>Year</u>	<u>Milking Cows</u>	<u>Pounds of Milk Sold</u>
2005	80	1,200,000
2006	85	1,300,000

II. Descriptions

Mission Statement

Our mission is to produce high quality milk in a way that provides an adequate income for our family.

Farm location:

Bill owns and operates, with his son Mike, an 85 cow, grade Holstein, conventional dairy operation in Anywhere, VT as a sole proprietor. The farm is located in the northeast sector of Anywhere, VT. It is .2 miles off State Rt. 333 on Foliage Hill Rd. *(See Appendix A: Maps to farm and soils map).*

Acres owned and/or rented:

The farm consists of 425 acres, 130 tillable acres, 45 acres open pasture, 250 acres of woodland. 100 acres and a barn are rented on the Norma Smith farm, which is on the south border of the home farm. An additional 30 acres of cropland is rent free in trust of proper care and conservation. 14 acres of hay land- not to be tilled – is also rented.

A summary of our owned and rented farmland is:

Land Description	Total Acres	Crop Acres	Pasture Acres	Woodlot/ Other Acres	Tenure/Lease terms
Dairyman Home farm	425	130	45	250	Owned (Bill Dairyman)
Norma Smith farm	100	100			Yr –to-yr/Verbal/\$9600
Various/other	44	44			Verbal/Year-to-Year/Free

Cattle, and Farm Machinery/Equipment:

I own my complete dairy herd as well as a complete line of our hay and corn equipment *(See Appendix B: Listing of Livestock & Farm Machinery/Equipment)*

Farm history:

Dairyman farm history began in 1942 when 215 acres were bought by Bill's parents Ralph & Irene Dairyman. They bought their first tractor in 1944. In 1952 a 50-cow barn was moved from S. Granville and erected on the farm. They increased the size of the farm when they bought the Beamon Dairyman farm (220 acres) in 1954. Ralph & Irene bought the first bulk tank for the farm in 1960. The farm was expanded again in 1962 when 160 acres of the Mars farm was

bought. This purchase created a solid block of the property. In 1968 180 acres of the Beamon farm were sold, the tillable acres were retained. In 1968 the first concrete silo with an unloader was erected. In 1970 a steel machinery shed was built. The pipeline milking system was installed in 1972. In 1979 Bill Dairyman buys 50 milking cows and 45 head of young stock from Ralph and Irene for \$50,000 and rents the farm real estate from his parents. In 1981 a second concrete silo was added as well as updating the forage equipment to allow for more haylage. The pipeline milking system and vacuum pump was upgraded for increased capacity in 1983. Milking cows “in shifts” began in 1989. That same year the milk house was built larger to allow for larger bulk tank. Bill bought the farm real estate in 1990 for \$100,000. In 1991 Bill begins renting the Norma Smith farm (land and heifer barn). In 1993 a concrete barnyard was built with the help of a government cost share program.

Building Descriptions:

We milk our dairy herd in a 50-cow tie stall barn using a pipeline milking system. We have a 1250-gallon Mueller bulk tank, which is located in an attached milk house. Our heifers are housed in the 46-cow tie stall barn at the Norma Smith farm. We raise our calves in calf hutches until weaned, and then move them to a 15-stall calf barn on our home farm. We have a tool/machinery shed on the farm for storage. Bill’s mother, Irene, has a “life estate” interest in the main house on the farm. Bill lives in a mobile home next door. Bill’s son Mike lives in a small ranch house, owned by Bill, located ¼ mile from the farm. (See Appendix C: *Building Descriptions & Photos*)

Key Management People and Responsibilities:

Bill oversees the total dairy business operation, with daily responsibilities for managing milking, milk house work, bookkeeping, and fieldwork. Mike assists with all farm responsibilities, with daily responsibilities for maintaining herd health records, heifer raising, and fieldwork. No other employees work on the farm at this time.

Production practices:

Dairy operation - Our dairy operation is a conventional 85 Holstein cow dairy farm producing approximately 1.3 million pounds of milk for an average per animal production of 15,300 lbs of milk per year. We manage our herd’s production/reproduction performance with the use of our own breeding/production record keeping system. We do our milking in 52 tie stalls, rotating groups of cows in/out of our barn and use a pipeline milking system. We raise all of own replacements, and currently are not selling any heifers for dairy purposes due to our current expansion plans. We attempt to breed all of our cows by artificial insemination and use a bull for “cleanup” and for heifers.

Crops - We currently plant/harvest 103 acres of corn annually and raise hay/haylage on the balance of the land we crop. We pasture approximately 45 acres of land. Baled hay is stored in overhead hay mows. Corn silage and haylage are stored in covered piles. Purchased grain is stored in upright bins.

Risk management/Environmental considerations/Quality controls:

We strive to produce high quality milk while using farming practices that have low impact on our natural resources. We consult regularly with our farm insurance agent to insure that we have adequate business liability and property loss insurance coverage. We have developed and use a list of long-time advisors for our business and consult with them regularly to maintain low level financial risk and a quality milk product.. We work with Natural Resource Conservation Service to insure continued compliance with federal highly erodible land and wetland cultivation regulations, as well as to insure acceptable use of our land.

Key Advisors/Consultants:

Phil Sweeny- Dairy Farm feeds – grain and feed
Butch Gilcrest – Agri Mark
Jeff Irwin – Caravail – corn seed/ crops
John McDermott/ Kurt – Vermont Vet - herd health
Jeff Proudly – Vermont Farm Supply – equipment repairs
Richard Wright – attorney
Joel Carpenter – Accountant /taxes
Patty Duffy – VACC
Jeffery Temple – Yankee Farm Credit, White River Jct., VT
Country Way insurance S. Royalton – Insurance

Products and Markets Description:

Our farm produces milk, dairy replacements, corn silage and hay. We market our fluid milk production through Agri-Mark. We sell our bull calves locally, and usually have a modest amount of hay sales to local horse owners. We also sometimes trade hay for sawdust bedding with Tony Jones. Milk production/sales for the past 2 years (2005/2006) has averaged 1.3MM pounds of milk.

III. Analyses

SWOT Analysis:

With the assistance of Betsy Miller we completed a Strengths/Weaknesses/Opportunities/Threats analysis of our farm operation. The following summarizes the results of our analysis.

Strengths

- Strong family desire to continue farming and a commitment to keep farm in family
- Willingness to learn and change farm practices, and to adapt to improve farm operations
- Proven track record of consistently raising quality herd replacements in numbers sufficient to increase overall herd size.

Weaknesses

- Undersized and inefficient cow barn for current herd size and increasing cow numbers
- Need to improve current herd production record system
- Lack of knowledge on legal issues relating to cow/equipment transfer
- Lack of experience working with farm financial records (Mike)

Opportunities

- Strong local dairy community with business support infrastructure in place.
- Strong area demand for residential building lots; potential for land sales income
- Potential exists for sale of development rights to generate revenue.
- Currently high fluid milk prices offer opportunity for capital improvements and purchases.

Threats

- Availability of good rental crop land is decreasing due to area development pressures
- Good/dependable farm labor is difficult to find and keep
- Property taxes are continually increasing and becoming a financial burden
- Farm operating costs are increasing at a faster level than milk prices.
- Historical low prices and volatility of milk market makes it difficult to maintain (and plan for) a viable dairy operation.

Management Analyses:

Collectively, we feel that we possess adequate farm management skills (financial, livestock, crops, and equipment/ building management) to succeed in the dairy business. We currently split the management responsibilities on the farm. Bill manages the milking of the cows, the book keeping. Mike manages herd health records and heifer raising. We share the crop management responsibilities. We feel that enrollment in the DHIA herd management program (with the use of PC dart) is a needed improvement to our present herd management program. Mike will be taking the lead on setting up our herd on this program in 2008, and will be in charge its management there after. We also recognize that Mike will need to become more familiar with all aspects of managing the finances of dairy operation prior to him taking over in January of 2009. For this reason Mike will plan to work with Bill more closely in managing the farm's financial record keeping and will also take advantage of the Farm Service Agency financial management training course, if available in 2008.

Market Analysis:

We will continue to ship our milk to Agri- Mark until the transfer of cows to Mike. At that time Mike will reevaluate the options and decide whether to continue with Agri-Mark.

IV. Planning

Proposed Business Ideas and Strategies

The key issues facing our operation are:

- Need to increase net farm income to a sustainable level for Mike's future in dairying
- Need to increase our dairy herd size and overall herd production
- Need to provide affordable, short term improvements to milking efficiencies and herd housing
- Need to secure financing for Bill's capital improvements in 2008
- Need to secure financing for Mike's capital acquisitions in 2009
- Need for legal guidance to finalize Mike's acquisition of cattle/machinery in 2009

In order for us to continue farming we need to update the facilities where we milk and house the cattle. We are currently milking the cows "in shifts." This is very time consuming and labor intensive. We believe that by creating a better milking facility (step-up parlor), we will be more efficient. We hope to be able to milk more cows without increasing our labor requirements.

We also need to provide an affordable solution to our current lack of housing for part of the milking herd. After weighing all options, it has been decided that the best short term solution is to construct a 45' X 96' hoop barn structure to cover the existing barn yard and the feed bunks. It is anticipated that the capital improvements will adequately improve milking efficiencies and cow comfort for our dairy herd during this expansion period.

We have a proven record for being able to increase our herd size with our own replacement heifers. This will allow us to gradually increase our herd size as we improve our facilities and Mike develops the skills needed to manage the farm operation.

We recognize that inadequate production records on our cows hinder our ability to increase our milk production. In 2008 we will begin enrollment in DHIA and will use PC Dart herd management software. By using these tools we hope to better monitor our herd's performance and make decisions that will increase our productivity.

We will be buying a feed mixer wagon and will begin feeding a TMR in early '08. We will have our forage crops analyzed and will work closely with our grain sales representative to ensure that our cows are getting a balanced ration to maintain herd health and increase productivity.

As Mike plans to take over the operation in '09 he has to learn about the financial records that are required. Mike will learn by doing as we work together to keep the books in '08. We both will be educating ourselves on what the implications of Mike buying the cattle and machinery from Bill will be. As our farm passes from one generation to the next it is important to us that we keep it simple and don't create undue burdens for either party. To ensure this we will consult further with Annette Higby on the legal aspects of this transfer.

We will both work closely with VACC and/or Yankee farm credit to ensure that we have the best possible financing options available.

The current milk price allows us to make some improvements to our facilities and to make purchases that we have needed (mixer wagon). We know from the past that the price of milk

will go down thus we have made the decision to expand our facilities in stages. This allows us to make the improvements that we need while keeping our debt load manageable.

Our long term goals for facilities include building a modern 120+ cow free stall barn with a milking parlor. In order to have the net cash flow to finance this we need to increase our herd size and production. We hope to be in a position to do this in 5-7 years.

The eventual goal is for the farm in its entirety to be passed from Bill to Mike. This must be done in a way that allows Mike to maintain a manageable debt load while ensuring that Bill has adequate funds to see him through his retirement years. We feel that we have two options open to us that we could utilize if it becomes necessary. The first would be sales of building lots from the farm. We could potentially sell non crop land acres that would generate income without decreasing the needed crop growing acres from the farm. The second option would be to sell the farms development rights. We have not fully explored this option and what the implications would be but hold it as option to possibly generate some revenue if it became necessary.

We have developed farm net cash flow projections, which we will use as benchmarks for tracking our progress in meeting our financial goals.

Goals - 3-4 years:

2008

- Increase milking herd to 95 cows
- Purchase mixer wagon and begin feeding a TMR
- Increase herd production to 16,000 pounds/cow
- Achieve gross farm income of \$296,400
- Begins using DHIA/PC Dart herd management program
- Mike to become involved/ eventually taking over financial records
- Complete step up parlor renovations to main barn
- Complete construction of hoop barn facility

2009

- Mike to acquire cattle and machinery early 1/09 and rent real estate from Bill
- Increase milking herd to 110 cows
- Increase herd production to 17,000 pounds/cow
- Achieve gross farm income of \$364,600
- Achieve farm cash net income from operations of \$61,700
- Continue using DHIA/PC Dart herd management program
- Mike to take full responsibility of farm financial records in 1/09

2010

- Increase milking herd to 120 cows
- Increase herd production to 18,000 pounds/cow

- Achieve gross farm income of \$421,200
- Achieve farm cash net income from operations of \$93,200
- Continue using DHIA/PC Dart herd management program

2011

- Maintain milking herd of 120 cows
- Increase herd production to 20,000 pounds/cow
- Achieve gross farm income of \$468,000
- Achieve farm cash net income from operations of \$122,900
- Continue using DHIA/PC Dart herd management program

Goals – long term (2012 and/or later):

- Mike to purchase farm real estate
- Mike to be in a financial position to be able to update facilities and equipment to meet the needs of an increased herd size- including 120+ cow free stall and milking parlor.

Implementation Plan Summary: The following reflects our plans for implementing selected, improved management practices, and outlines our anticipated timelines for completion.

What	When	Lead Person	Cost / Source \$	Advisors
DHIA / PC dart records	2008	Mike	\$500/farm	Brett Denny
Mike takes lead on farm financial records	Jan . 2008	Mike	NA	Lenders
Consult with tax advisor about capital gains implications with sale of cattle and equipment	Winter 07-08	Bill	NA	Tax advisor & Jeff Temple YFC
Purchase mixer wagon	Winter 07-08	Bill & Mike	\$35,000	Lender
Begin feeding TMR	Winter 07-08	Bill & Mike	NA	Nutrition advisor
Finalize design/get contractor bids on step-up parlor	Winter 07-08	Bill & Mike	NA	J. Porter
Finalize design/ get contractor bids on hoop barn	Winter 07/-08	Bill & Mike	NA	J. Porter
Build step- up parlor	Summer 08	Bill & Mike	\$70,000/new loan	J. Porter/lenders
Build hoop barn	Summer 08	Bill & Mike	\$45,000/new loan	J. Porter/ lenders
Assess progress in meeting herd production, cash income goals	July 08 (every 6 months)	Mike & Bill	NA	Lenders & Brett Denny(DHIA rep) Herd nutrition

				advisor
Contact FSA and enroll in financial record keeping classes	April 08	Mike	NA	FSA
Apply to FSA for loan to purchase cattle and equipment from Bill (Mike)	April 08	Mike	NA	lenders
Contact Annette Higby regarding transfer documents	Fall 08	Bill	TBD/farm	Annette Higby
Investigate alternative milk markets under Mike ownership	Fall 08	Mike	NA	lenders
Mike buys cattle and equipment from Bill	Jan 09	Mike & Bill	Est. \$150,000(final cost TBD) /new loan	Lenders & A. Higby
Mike to take full responsibility of financial record keeping	Jan 09	Mike	NA	Lenders, tax advisor, Bill
Assess progress in meeting herd production, cash income goals	Jan '09 and every 6 months	Mike	NA	Lenders, DHIA rep, herd nutrition advisor

Planned Credit Needs (estimated) - Sources & Uses of Funds

Uses of Funds		Sources of Funds	
Mixer wagon (winter 07-08)	\$35,000	VACC	35000
Step up parlor (summer 08)	\$70,000	Yankee Farm Credit	\$70,000
Hoop barn (summer 08)	\$45,000	Yankee Farm Credit	\$45,000
Mike purchase cattle/machinery (early 09)	\$150000	FSA	\$150,000
Total	\$300,000	Total	\$300,000

V. Financial Information

(See Appendix D- Financial Statements)

Key Farm Financial Indicators/Ratios (NOTE Comment *)

	2004	2005 *	2006 *	2007 *	Change Last Periods
Consolidated Net Worth		\$1,021,940	\$991,571	\$1,096,445	\$104,874
Farm Net Worth		\$871,940	\$817,571	\$908,245	\$90,674
Gross Cash Sales - Farm	\$200,902	\$208,849	\$210,444		\$1,595
Net Farm Income - (Accrual adjusted for 2006)	\$6,750	\$14,025	\$45,817		\$31,792
Return on Assets - Farm (Accrual adjusted, net withdrawals + interest)		1.94%	5.21%		3.28%
Return on Equity - Farm (Accrual adjusted, net withdrawals)		1.61%	5.60%		4.00%
Operating Profit Margin Ratio - Farm (Accrual adjstd, net withdrawals+int.		10.79%	24.04%		13.25%
Net Operating Cash Flow - Farm	\$26,273	\$29,593	\$47,529		\$17,936
Current Ratio - Farm		1.18	1.29	1.46	0.17
Working Capital - Farm		\$56,781	\$8,434	\$19,151	\$10,717

* **Comment:** Balance sheets were only made available for the dates of 5/1/07, 5/10/06, & 8/23/05. Therefore, all resultant solvency, liquidity & profitability indicators/ratios have been Expressed based on this "best information available, and may not expressly conform to generally accepted financial indicator/ratio calculation methodologies

Balance Sheet – historical

Discussion/analysis: Historical balance sheets for Dairyman farm were completed on 8/23/2005, 5/10/2006 and 5/1/2007. These historical balance sheets are not consistent with conventional end of the year reporting. There are also inconsistencies with the reporting of some of the assets. Agri-mark equity was not reported in '06 and no farm cash/checking/savings were reported in '07. However, we can note that there was not a significant change in the assets or liabilities. The intermediate and long-term liabilities have both declined as no new debts were incurred from May '06 to May '07.

Income Statement – historical

Discussion/analysis: Historical Income Statements were created for the Dairyman farm for 2005 and 2006. Accrual adjustments were made to the 2006 Income Statement. These two statements both reflect a fairly stable operation with expenses and income showing minimal variation. Total income from the sale of milk was down by \$11,000 in 2006, even though milk production increased by 100,000 pounds. This was due to the low milk prices seen in 2006.

Cash Flow Projections

Discussion: A consolidated cash flow statement was prepared for the Dairyman farm for the years 2007, 2008, 2009, 2010, and 2011. Income was projected based on the farm goals of increased herd size and increased milk production. An effort was made to keep these increased numbers realistic and reasonable based on the historical performance of the farm. Expenses were calculated based on the historical numbers of the farm and prevailing market conditions. A conservative income/high expense model was employed. Projections for expenses of the planned facility updates were based on information provided by John Porter of Farm Planning Services, LLC.

It should be noted that projections for the years of 2007 and 2008 assume Bill continuing to own the cattle, machinery and real estate, with Mike continuing to participate in the operation as a farm employee. In very early 2009, the projections assume Mike will acquire the farm's cattle and machinery, and continue the farming operation while leasing the farm real estate from Bill through at least 2011. This change in ownership and future lease relationship is the main reason that the reader will note substantial reduction in interest and principal payments in the cash flow for 2009 and later. This is also the reason that projected farm lease expenses for 2009 and later increase substantially. Under Mike's ownership in 2009, Bill will participate in the operation as a farm employee (and landlord) earning \$400/week, which is included in the labor expense projections.

All assumption footnotes relevant to the projections are contained after the Consolidated Cash Flow statement with "cell reference" for each projected income/expense item where the need for explanation was deemed needed. Many projected income/expense items were developed based on the farm's actual historical income/expense performance and, in these cases, assumption footnotes were not provided.

Projections for all years 2007 – 2011) assume that management will successfully implement all planned management and facilities improvements outlined in the plan, and that these practices/improvements will result in the desired increases in milk production, operating efficiencies, and net cash flows. Milk prices for future years were projected at the current 2007 average price (per Agrimark 2007 projections). Absent the availability of any truly reliable long term source to more accurately project future years' milk prices, this was determined to be the most practical method to use for long term planning purposes. The reader may logically conclude that such long term projections are arguably suspect, considering the industry's history of widely fluctuating, and at times depressed milk prices. To address this potential argument, we have provided Cash Breakeven Analysis (with the Per Cow Production Scenarios). In that analysis, the reader will note that "breakevens" have been developed (before and after family living/taxes/debt payments) for Number of Cows, Production per Cow, Total Milk Production per Year, and Milk Price.

A summary of those breakevens *after* family living/taxes/debt payments is:

<u>Break Even</u> <u>(Minimums)</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of Cows	91	100	102	96
Production/Cow (lbs)	15,300	15,300	15,100	15,800
Total Milk Prod/Yr (lbs)	1,454,900	1,187,100	1,815,300	1,903,000
Milk Price (\$)	18.67	17.59	16.39	15.46

While it is felt that all resultant cash flow projections are realistic and supported by the farm's historic financial performance and capabilities, the reader is invited to review the breakeven analysis and draw his/her own conclusions as to the attainability of all projected cash flow assumptions.

VI. Appendices

Appendix A: Map to Farm & Farm Soils Maps

Appendix B: Listing of Farm Machinery/Equipment

Appendix C: Building Descriptions & Photos

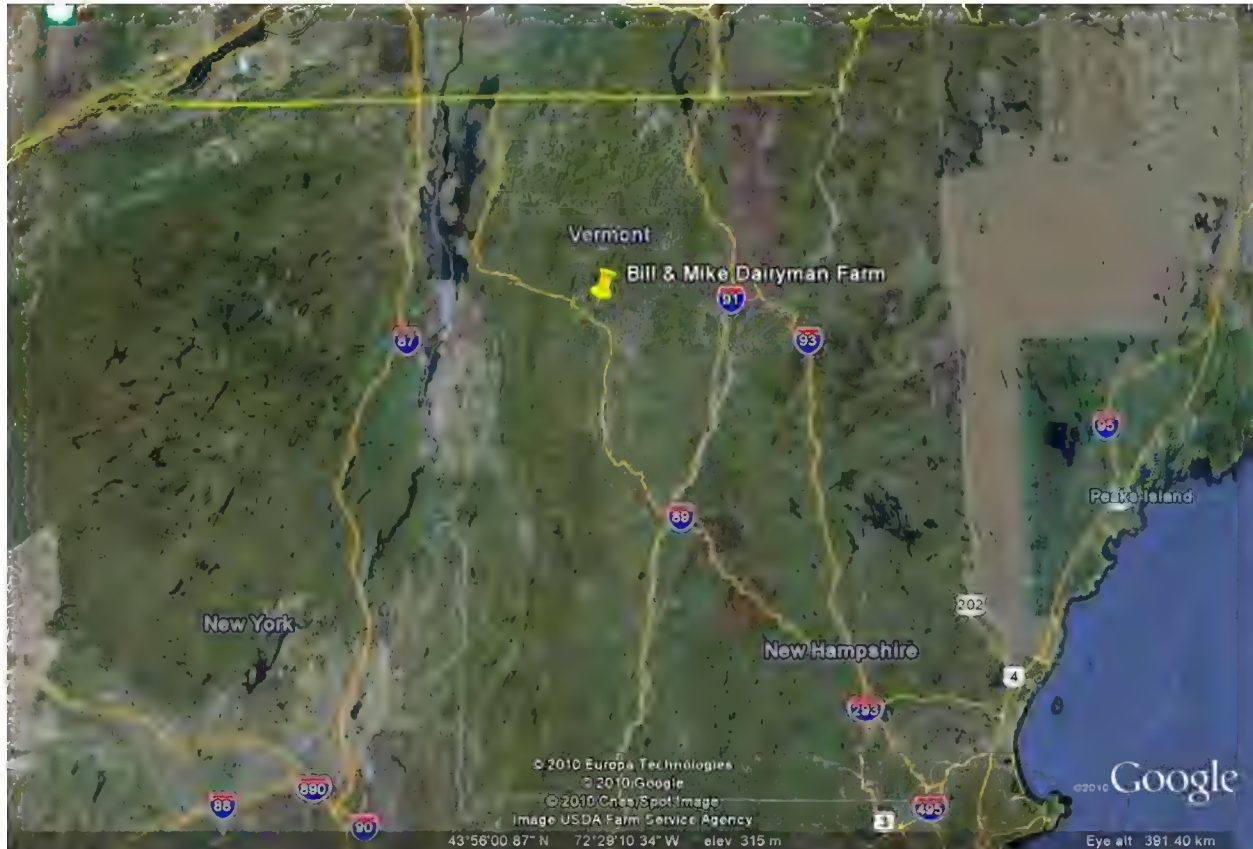
Appendix D: Financial Statements

Appendix E: Technical Assistance Report “Dairyman Farm Free-stall Expansion”, by Farm Planning Services, LLC, 11/2/07

Appendix A:

Location Map

Bill & Mike Dairyman Farm



SA

Appendix B. - Listing of livestock & farm machinery/equipment Bill & Mike Dairyman

Livestock (9/07)

95 Holstein dairy cows
20 Bred heifers
50 Open heifers/Yearlings/Weaned calves
9 Calves
2 Bulls

Farm Machinery/Equipment

Item	Make	Model	Condition
Tractor w/ loader	Case/IH	5140	G
Tractor	IH	1466	F
Manure Spreader	NH	185	P
Plows	White	4 bottom	P
Plows	IH	3 bottom	G
Disc Harrows	AC	230	F
Corn Planter	Case/IH	900 4 row	G
Seeder	Brillion		G
Disc Mower	Kuhn	302 FC	G
Forage Chopper	Gehl	1065	G
Dump Wagon	Fargo		F
Rock Picker	Rockbuster		F
Silage Truck	IH	1983	F
Hay Tedder	NH		F
Hay Rake	NH	256	F
Hay Baler	JD	336	G
Hay Rack	Diller	9'x18'	G
Mandem Running Gear	Gehl	(for Diller rack)	G
Hay Rack	Lamco		P
Hay Rack	wooden		P
Hay Elevator	Smoker		F
Cattle Trailer	gooseneck	16 '	G
Bulk Tank	Mueller	1250 gal	G

Appendix C: Description of Buildings & Photos

Structure	Year Built	Size	Condition
Main House	1850	2952	F
Detached Garage	1930	23'x27'	F
Shed	1963	11'x22'	F
Barn (2 storey)	1900	41'x100'	F
Barn (1 storey)	1963	15'x50'	F
Milk House	1989	22'x24'	F
Quonset Building	1970	38'x72'	F
Shed	1950	12'x53'	F
House #2	1974	1248	Ave
Mobile Home			F



Main Dairy Barn



Young Heifer Facility



Main Residence



Calf Hutches



Young Heifers



Milk Room



Main Dairy Barn – Some of the herd



Machine Shed



Mike Dairyman's Residence



Bill Dairyman's Residence



Rented Heifer Barn – N. Smith farm

Appendix D: Financial Statements, etc.

BALANCE SHEET			
Vermont Farm Viability Enhancement Program			
Farmer/Farm Name:		Bill Dairyman	
As of:		8/23/05	
FARM ASSETS		FARM LIABILITIES	
Current Assets (liquid within 12 months)		Current Liabilities (due within 12 months)	
Farm cash/checking/savings (Est)	8,100	*Accounts payable & Case	19,300
Accounts receivable (Est) (Agmark)	15,500	*Accrued (unpaid) interest not included above	
Grain		*Income taxes and Social Security taxes payable	
Hay	1,200		
Haylage	24,000	Principal due within 12 mos. on long-term debt	5,441
Growing Corn Silage	48,000	Operating loan principal balance	
Mkt livestock (raised & prchsd inventory)		Operating loan principal balance	
Farm supplies on hand		Short-term loan principal balance	
Prepaid expenses		Short-term loan principal balance	
Other farm products on hand for sale		Current principal due on intermediate debt	15,278
Farm products stored for personal use		Other current liabilities (describe)	
Other current assets (describe)			
Total Current Assets	\$96,800	Total Current Liabilities	\$40,019
Intermediate Assets		Intermediate Liabilities (due 1 to 10 yrs. avg.)	
Dairy Cows	104,000	VEDA	81,882
Bred Heifers	25,200		
Calves & Open Heifers	33,600	Intermediate loan principal balance	
Bulls	1,600	Intermediate loan principal balance	
Machinery & equipment	78,000	Intermediate loan principal balance	
Farm vehicles		Capital lease payments due (discount for interest)	
Book value of capital lease(s)		Other intermediate liabilities (describe)	
AgriMark Equity	25,000		
Total Intermediate Assets	\$267,400	Total Intermediate Liabilities	\$81,882
Long-term Assets		Long-term Liabilities	
Home Farm 415 Acres	800,000	VEDA	\$78,545
		YFC	\$91,814
		Long-term loan principal balance	
Other long-term assets (describe)		Other long-term liabilities (describe)	
Total Long-term Assets	\$800,000	Total Long-term Liabilities	\$170,359
TOTAL FARM ASSETS	\$1,164,200	TOTAL FARM LIABILITIES	\$292,260
FARM NET WORTH: TOTAL FARM ASSETS MINUS TOTAL FARM LIABILITIES =			\$871,940
Nonfarm Assets		Nonfarm Liabilities	
	150,000		
Total Assets Adjusted for Nonfarm	\$1,314,200	Total Liabilities Adjusted for Nonfarm	\$292,260
CONSOLIDATED NET WORTH: ADJUSTED ASSETS MINUS ADJUSTED LIABILITIES =			\$1,021,940

BALANCE SHEET			
Vermont Farm Viability Enhancement Program			
Farmer/Farm Name:		Bill Dairyman	
As of:		5/10/06	
FARM ASSETS		FARM LIABILITIES	
Current Assets (liquid within 12 months)		Current Liabilities (due within 12 months)	
Farm cash/checking/savings (Est)	1,600	*Accounts payable & Case	4,810
Accounts rc'ble(Est) (Agrimark)	15,200	*Accrued (unpaid) interest not included above	
Grain		*Income taxes and Social Security taxes payable	
Hay			
Haylage	3,400	Principal due within 12 mos. on long-term debt	5,878
Corn Silage	17,500	Operating loan principal balance	
Mkt livestock (raised & pr'chsd inventory		Operating loan principal balance	
Farm supplies on hand		Short-term loan principal balance	
Prepaid expenses		Short-term loan principal balance	
Other farm products on hand for sale		Current principal due on intermediate debt	18,578
Farm products stored for personal use		Other current liabilities (describe)	
Other current assets (describe)			
Total Current Assets	\$37,700	Total Current Liabilities	\$29,266
Intermediate Assets		Intermediate Liabilities (due 1 to 10 yrs. avg.)	
Dairy Cows	98,400	VACC	71,113
Bred Heifers	10,800		
Open Heifers/Yearlings	17,600	Intermediate loan principal balance	
Calves	19,200	Intermediate loan principal balance	
Machinery & equipment	92,750	Intermediate loan principal balance	
Farm vehicles		Capital lease payments due (discount for interest)	
Book value of capital lease(s)		Other intermediate liabilities (describe)	
Other intermediate assets (describe)			
Total Intermediate Assets	\$244,850	Total Intermediate Liabilities	\$71,113
Long-term Assets		Long-term Liabilities	
Home Farm/415 Acres	800,000	VACC	\$76,968
		YFC	\$87,632
		Long-term loan principal balance	
Other long-term assets (describe)		Other long-term liabilities (describe)	
Total Long-term Assets	\$800,000	Total Long-term Liabilities	\$164,600
TOTAL FARM ASSETS	\$1,082,550	TOTAL FARM LIABILITIES	\$264,979
FARM NET WORTH: TOTAL FARM ASSETS MINUS TOTAL FARM LIABILITIES =		\$817,571	
Nonfarm Assets		Nonfarm Liabilities	
	174,000		
Total Assets Adjusted for Nonfarm	\$1,256,550	Total Liabilities Adjusted for Nonfarm	\$264,979
CONSOLIDATED NET WORTH: ADJUSTED ASSETS MINUS ADJUSTED LIABILITIES =		\$991,571	

BALANCE SHEET			
Vermont Farm Viability Enhancement Program			
Farmer/Farm Name:		Bill Dairyman	
As of:		5/1/07	
FARM ASSETS		FARM LIABILITIES	
Current Assets (liquid within 12 months)		Current Liabilities (due within 12 months)	
Farm cash/checking/savings		*Accounts payable & Case	13,750
*Accounts receivable (Agrimark)	15,500	*Accrued (unpaid) interest not included above	
Grain		*Income taxes and Social Security taxes payable	
Hay			
Haylage	3,000	Principal due within 12 mos. on long-term debt	7,318
Corn Silage	42,000	Operating loan principal balance	
Mkt. livestock (raised & pr'chsd inventory)		Operating loan principal balance	
Farm supplies on hand		Short-term loan principal balance	
Prepaid expenses		Short-term loan principal balance	
Other farm products on hand for sale		Current principal due on intermediate debt	20,281
Farm products stored for personal use		Other current liabilities (describe)	
Other current assets (describe)			
Total Current Assets	\$60,500	Total Current Liabilities	\$41,349
Intermediate Assets		Intermediate Liabilities (due 1 to 10 yrs. avg.)	
Dairy Cows	109,200	VACC (2 loans)	53,439
Bred Heifers	21,000		
Open Heifers/Yearlings	36,000	Intermediate loan principal balance	
Calves	8,000	Intermediate loan principal balance	
Machinery & equipment	98,000	Intermediate loan principal balance	
Farm vehicles		Capital lease payments due (discount for interest)	
Book value of capital lease(s)		Other intermediate liabilities (describe)	
AgriMark Equity	25,000		
Total Intermediate Assets	\$297,200	Total Intermediate Liabilities	\$53,439
Long-term Assets		Long-term Liabilities	
Home Farm/415 Acres	800,000	VACC	73,966
		YFC	80,701
		Long-term loan principal balance	
Other long-term assets (describe)		Other long-term liabilities (describe)	
Total Long-term Assets	\$800,000	Total Long-term Liabilities	\$154,667
TOTAL FARM ASSETS	\$1,157,700	TOTAL FARM LIABILITIES	\$249,455
FARM NET WORTH: TOTAL FARM ASSETS MINUS TOTAL FARM LIABILITIES =		\$908,245	
Nonfarm Assets		Nonfarm Liabilities	
	189,000		800
Total Assets Adjusted for Nonfarm	\$1,346,700	Total Liabilities Adjusted for Nonfarm	\$250,255
CONSOLIDATED NET WORTH: ADJUSTED ASSETS MINUS ADJUSTED LIABILITIES =		\$1,096,445	

INCOME STATEMENT (NON-accrual adjusted) - *Historical*

Vermont Farm Viability Enhancement Program

Name: Bill Dairyman

Income Statement Period: 1/1/04-12/31/04

Type of ownership: Sole Proprietorship

Cash Farm Income

Cash Farm Expenses

Dairy products sold & Calves	176,886	Variable farm cash expenses:	
		Car & Truck	
Market livestock sold / Culls	6,067	Bedding	1,800
		Custom hire	1,250
Raised breeding livestock sold		Dues/Promotion	1,702
		Feed purchased	76,480
Non-dairy livestock products sold		Fencing	
		Fertilizer/Lime Chemical	16,600
Field crops sold		Fuel and oil	9,159
		Hauling/Freight	9,069
Vegetable products sold		Labor hired	
		Market livestock purchased for resale	
Other farm products sold		Repairs, maintenance	9,246
		Seeds	5,750
Farm produce personally consumed		Supplies	6,365
		Veterinary expense	9,403
Custom farm work done for hire		Fixed farm cash expenses:	
		Interest, farm share	4,111
Other farm income received:		Insurance, farm share	3,675
Co-operative distributions	5,213	Property tax, farm share	4,182
Government program payments	12,736	Rents paid—land, buildings	9,600
		Rents paid—equipment, livestock	
		Utilities, farm share	6,834
		Other farm expenses:	403
Total Cash Farm Income	\$200,902	Total Cash Farm Expenses	\$174,629
		NET CASH FARM INCOME:	\$26,273

Accrual Adjustments

Accrued Income Adjustments		Accrued Expense Adjustments	
A/R now (-) A/R last period		*Current accounts payable now (-) current accounts payable 12 months ago	
Crop/feed inventory now (-) Crop/feed last period		*Accrued interest now minus accrued interest 12 months ago	
Market livestock now (-) market livestock last period (raised and purchased) on hand now minus on hand 12 months ago		*Income taxes and Social Security taxes payable now minus same taxes payable 12 months ago	
Other farm products on hand for sale now (-) other farm products on hand for sale last period		Depreciation - purchased breeding stock	
Farm products stored for personal use now (-) products stored for personal use last period		Depreciation - farm machinery/equipment	19,523
*Raised breeding livestock on hand now minus raised breeding livestock on hand 12 months ago		Depreciation - farm buildings/improvements	
Farm supplies now (-) last period			
Prepaid expenses now (-) last period			
Total Accrued Income Adjustments	\$0	Total Accrued Expense Adjustments	\$19,523
TOTAL ACCRUAL ADJUSTED INCOME	\$200,902	TOTAL ACCRUAL ADJUSTED EXPENSES	\$194,152
		26	
ACCRUAL ADJUSTED NET FARM INCOME FROM OPERATIONS (NFIFO):		\$6,750	

INCOME STATEMENT (NON-accrual adjusted) - Historical

Vermont Farm Viability Enhancement Program

Name: Bill Dairyman

Income Statement Period: 1/1/05-12/31/05

Type of ownership: Sole Proprietorship

Cash Farm Income

Cash Farm Expenses

Dairy products sold	187,802	Variable farm cash expenses:	
		Car & Truck	
Market livestock sold / Culls	5,575	Bedding	3,830
Calves	3,402	Custom hire	
Raised breeding livestock sold		Dues/Promotion	1,555
		Feed purchased	75,605
Non-dairy livestock products sold		Fencing	
		Fertilizer/Lime Chemical	16,600
Field crops sold		Fuel and oil	11,121
		Hauling/Freight	3,668
Vegetable products sold		Labor hired	
		Market livestock purchased for resale	
Other farm products sold		Repairs, maintenance	10,983
		Seeds	3,236
Farm produce personally consumed		Supplies	4,457
		Veterinary expense	7,117
Custom farm work done for hire		Fixed farm cash expenses:	
		Interest, farm share	8,503
Other farm income received:		Insurance, farm share	3,700
Co-operative distributions	1,816	Property tax, farm share	3,130
Government program payments	10,254	Rents paid—land, buildings	9,600
		Rents paid—equipment, livestock	
		Utilities, farm share	7,069
		Other farm expenses:	1,082
Total Cash Farm Income	\$208,849	Total Cash Farm Expenses	\$179,256
		NET CASH FARM INCOME:	\$29,593

Accrual Adjustments

<u>Accrued Income Adjustments</u>		<u>Accrued Expense Adjustments</u>	
A/R now (-) A/R last period		*Current accounts payable now (-) current accounts payable 12 months ago	
Crop/feed inventory now (-) Crop/feed last period		*Accrued interest now minus accrued interest 12 months ago	
Market livestock now (-) market livestock last period (raised and purchased) on hand now minus on hand 12 months ago		*Income taxes and Social Security taxes payable now minus same taxes payable 12 months ago	
Other farm products on hand for sale now (-) other farm products on hand for sale last period		Depreciation - purchased breeding stock	
Farm products stored for personal use now (-) products stored for personal use last period		Depreciation - farm machinery/equipment	15,568
*Raised breeding livestock on hand now minus raised breeding livestock on hand 12 months ago		Depreciation - farm buildings/improvements	
Farm supplies now (-) last period			
Prepaid expenses now (-) last period			
Total Accrued Income Adjustments	\$0	Total Accrued Expense Adjustments	\$15,568
TOTAL ACCRUAL ADJUSTED INCOME	\$208,849	TOTAL ACCRUAL ADJUSTED EXPENSES	\$194,824
		27	
		ACCRUAL ADJUSTED NET FARM INCOME FROM OPERATIONS (NFIFO):	
		\$14,025	

ACCRUAL ADJUSTED INCOME STATEMENT - *Historical*

Vermont Farm Viability Enhancement Program

Name: Bill Dairyman

Income Statement Period: 1/1/06-12/31/06

Type of ownership: Sole Proprietorship

Cash Farm Income

Cash Farm Expenses

Dairy products sold	176,894	Variable farm cash expenses:	
		Car & Truck	
Market livestock sold/ Culls	6,642	Bedding	1,880
Calves	3,494	Custom hire	
Raised breeding livestock sold		Dues/Promotion	5,959
		Feed purchased	54,600
Non-dairy livestock products sold		Fencing	
		Fertilizer/Lime Chemical	15,600
Field crops sold		Fuel and oil	12,410
		Hauling/Freight	10,767
Vegetable products sold		Labor hired	7,500
		Market livestock purchased for resale	
Other farm products sold		Repairs, maintenance	6,792
		Seeds	3,252
Farm produce personally consumed		Supplies	4,267
		Veterinary expense	5,456
Custom farm work done for hire		Fixed farm cash expenses:	
		Interest, farm share	10,634
Other farm income received:		Insurance, farm share	2,969
Co-operative distributions	2,166	Property tax, farm share	5,009
Government program payments	17,009	Rents paid—land, buildings	9,600
Logs/Pulp	4,239	Rents paid—equipment, livestock	
		Utilities, farm share	5,537
		Other farm expenses:	383
Total Cash Farm Income	\$210,444	Total Cash Farm Expenses	\$162,915
		NET CASH FARM INCOME:	\$47,529

Accrual Adjustments

<i>Accrued Income Adjustments</i>		<i>Accrued Expense Adjustments</i>	
A/R now (-) A/R last period	300	Current accounts payable now (-) current accounts payable 12 months ago	8,940
Crop/feed inventory now (-) Crop/feed last period	24,100	Accrued interest now minus accrued interest 12 months ago	0
Market livestock now (-) market livestock last period (raised and purchased) on hand now minus on hand 12 months ago	0	Income taxes and Social Security taxes payable now minus same taxes payable 12 months ago	0
Other farm products on hand for sale now (-) other farm products on hand for sale last period	0	Depreciation - purchased breeding stock	
Farm products stored for personal use now (-) products stored for personal use last period	0	Depreciation - farm machinery/equipment	17,172
Raised breeding livestock on hand now minus raised breeding livestock on hand 12 months ago	0	Depreciation - farm buildings/improvements	
Farm supplies now (-) last period	0		
Prepaid expenses now (-) last period	0		
Total Accrued Income Adjustments	\$24,400	Total Accrued Expense Adjustments	\$26,112
TOTAL ACCRUAL ADJUSTED INCOME	\$234,844	TOTAL ACCRUAL ADJUSTED EXPENSES	\$189,027
ACCRUAL ADJUSTED NET FARM INCOME FROM OPERATIONS (NFIFO):		\$45,817	

Consolidated Cash Flow

UVM EXTENSION---GLENN ROGERS, EXTENSION ASSOC. PROF.

Bill & Mike Dairyman

Input Blue Cells

	Actual 2004	Actual 2005	Actual 2006	Peer Agrifax 2006	Projected 2007	Projected 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011
Average number of cows	80	85	85	85	84	84	95	110	120	120
Production / cow	15000	15300	19500	16000	16000	16000	16000	17000	18000	20000
Pounds of Milk Sold	1,200,000	1,300,000	1,653,194	1,344,000	1,344,000	1,344,000	1,520,000	1,870,000	2,160,000	2,400,000
Milk Price / cwt.	15.65	13.61	\$13.62	\$16.75	\$19.50	\$19.50	\$19.50	\$19.50	\$19.50	\$19.50

CASH RECEIPTS

Milk Sales (note: includes calf sales in '04)	176,886	187,802	176,894	225,165	225,120	262,080	296,400	364,650	421,200	468,000
Cattle Sales (note: includes calf sales in '05 & '06)	6,067	8,977	10,136	19,805	6,642	10,000	12,500	15,000	18,000	18,000
Crop Sales				10,455						
Calves and other Livestock					3,494	3,700	4,500	5,000	5,400	5,400
Gov't. Payments	12,736	10,254	17,009		4,600	3,000	0	0	0	0
Other	5,213	1,816	6,405	24,735	1,106	1,200	1,200	1,200	1,200	1,200
Total Cash Receipts	200,902	208,849	210,444	280,160	240,962	279,980	314,600	385,850	445,800	492,600

CASH EXPENSES

PC Dart/DHIA (2008)							2,000	2,200	2,400	2,400
Bedding	1,800	3,830	1,880		2,000	2,000	2,300	2,600	2,900	2,900
Conservation expenses										
Custom Hire	1,250			4,165						
Dues/Promo	2,702	4,555	5,959		6,000	6,200	7,000	8,600	9,900	11,000
Feed Purchased: grain	76,480	75,605	54,600	66,130	65,000	78,600	88,900	109,400	126,400	140,400
Fertilizers and lime/Chemicals & spray	15,600	15,600	15,600	10,880	20,000	21,000	24,000	27,500	30,000	30,000
Freight and trucking/hauling	8,069	9,668	10,767	15,895	10,000	11,200	12,600	15,500	17,900	19,900
Gasoline, fuel and oil	9,159	11,121	12,410	13,600	12,000	13,000	14,700	17,100	18,600	18,600
Insurance (other than health)	3,675	3,700	2,969	6,035	3,000	3,300	3,500	2,500	2,500	2,500
Interest	4,111	8,503	10,634	15,045	12,000	17,400	23,400	7,700	6,700	3,500
Labor hired, pension and profit sharing			7,809	22,440	14,000	14,000	14,000	22,500	22,500	22,500
Rent or Lease	9,600	9,600	9,600	3,570	9,600	9,600	9,600	9,600	9,600	9,600
Repairs and maintenance	9,246	10,983	6,400	19,295	7,000	8,000	9,000	10,500	11,300	11,300
Seeds and plants purchased	5,750	3,236	3,332	4,420	4,500	5,200	5,800	6,700	7,300	7,300
Supplies purchased	6,365	4,457	4,237	16,575	5,000	5,500	6,200	7,100	7,800	7,800
Taxes(Property,Fed, State)	4,182	3,130	5,000	8,415	5,200	5,200	5,200			
Utilities	6,834	7,453	5,537	10,965	7,000	7,700	8,200	8,900	9,200	9,200
Veterinary/Breeding fees and medicine	9,403	7,417	4,400	10,880	5,500	6,000	6,700	7,800	8,500	8,500
Other expenses	403	1,080	383	7,480	800	1,000	1,100	1,300	1,400	1,400
Farm Lease 2009								39,350	39,350	39,350
Miscellaneous - other				680						
Total Cash Receipts	200,902	208,849	210,444	280,160	240,962	279,980	314,600	385,850	445,800	492,600
Total Cash Expenses	174,629	179,256	162,915	236,470	188,600	214,900	244,200	306,850	334,250	348,150
Net Cash Flow from Dairy Operations	26,273	29,593	47,529	43,690	52,362	65,080	70,400	79,000	111,550	144,450

Consolidated Cash Flow - Page 2

Off Farm Income				15,215						
Cash family living/taxes/health ins.	25,000	25,000	25,000	37,995	25,000	25,000	25,000	25,000	25,000	25,000
Add back interest	4,111	8,503	10,634	15,045	12,000	17,400	23,400	7,700	6,700	3,500
Net Cash Available (for Debt Service/Capital Investment/Retained Earnings)	5,384	13,096	33,163	35,955	39,362	57,480	68,800	61,700	93,250	122,950
Debt Service			40,308	36,026	43,062	42,897	56,120	26,042	26,042	26,042
Available for Capital Invest/Retained Earn	5,384	13,096	(7,145)	(71)	(3,700)	14,583	12,680	35,658	67,208	96,908
(-) Step up Parlor/Hoop Barn 7/08							115,000			
(-) Planned livestock purchase				23,163						
(-) Planned equipment purchase	16,700	32,730	10,749	23,163		5,000	35,000			
(-) '09 Mike's purchases cows & equipment								150,000		
Available Funds if positive but....	(11,316)	(19,634)	(17,894)	(46,397)	(3,700)	9,583	(137,320)	(114,342)	67,208	96,908
Borrowed-equity funds needed - if negative	16700	32730	10,749	46,397	10,000	12,000	150,000	150,000		
Net Cash flow after borrowing/Equity funds	5,384	13,096	(7,145)	0	6,300	21,583	12,680	35,658	67,208	96,908

Per Cow & Break Even Analysis Bill & Mike Dairyman			Projected 2008	Projected 2009	Projected 2010	Projected 2011
Average number of cows	95			110	120	120
Production / cow	16000			17000	18000	20000
Pounds of Milk Sold	1,520,000			1,870,000	2,160,000	2,400,000
Milk Price / cwt.	\$19.50			\$19.50	\$19.50	\$19.50
			PER COW	PER COW	PER COW	PER COW
CASH RECEIPTS						
Milk Sales	296,400	3120		364,650	421,200	468,000
Cattle Sales	12,500	132		15,000	18,000	18,000
Crop Sales	0	0		0	0	0
Calves and other Livestock	4,500	47		5,000	5,400	5,400
Gov't. Payments	0	0		0	0	0
Other	1,200	13		1,200	1,200	1,200
Total Cash Receipts	314,600	3312		385,850	445,800	492,600
CASH EXPENSES						
Bedding	2,300	24		2,600	2,900	2,900
Conservation expenses	0	0		0	0	0
Custom Hire	0	0		0	0	0
Dues/Promo	7,000	74		8,600	9,900	11,000
Feed Purchased: grain	88,900	936		109,400	126,400	140,400
Fertilizer/Lime/Chem	24,000	253		27,500	30,000	30,000
Freight and trucking/hauling	12,600	133		15,500	17,900	19,900
Gasoline, fuel and oil	14,700	155		17,100	18,600	18,600
Insurance (other than health)	3,500	37		2,500	2,500	2,500
Interest	23,400	246		7,700	6,700	3,500
Labor hired	14,000	147		22,500	22,500	22,500
Rent or Lease	9,600	101		9,600	9,600	9,600
Repairs and maintenance	9,000	95		10,500	11,300	11,300
Seed	5,800	61		6,700	7,300	7,300
Supplies purchased	6,200	65		7,100	7,800	7,800
Taxes(R/E)	5,200	55		0	0	0
Utilities	8,200	86		8,900	9,200	9,200
Veterinary/Breeding/Med	6,700	71		7,800	8,500	8,500
Other expenses	1,100	12		1,300	1,400	1,400
Farm Lease 2009	0	0		39,350	39,350	39,350
Miscellaneous - other	0	0		0	0	0
Total Cash Receipts	314,600			385,850	445,800	492,600
Total Cash Expenses	244,200	2,571		306,850	334,250	348,150
Net Cash Flow - Operations	70,400	741		79,000	111,550	144,450
Off Farm Income	0	0		0	0	0
Cash family living/debt/taxes	25,000	263		25,000	25,000	25,000
Add back interest	23,400			7,700	6,700	3,500
Net Cash Available (for Debt/	68,800	724		61,700	93,250	122,950
Purchases & Earnings)						
Debt Service	56,120	591		26,042	26,042	26,042
Available for Capital Inve	12,680	133		35,658	67,208	96,908
(-) New Barn (2008)	(15,000)	1,211		0	0	0
(-) Planned livestock purchase	0	0		0	0	0
(-) Planned equipment purchase	35,000	368		0	0	0
(-)09 Mike's purchases cows/equip	0	0		150,000	0	0
Available Funds if positive but....	(137,320)			(114,342)	67,208	96,908
Borrowed equity funds needed	150,000			150,000	0	0
Net Cash flow after loans/equity	12,680			35,658	67,208	96,908

Cash					
Break Even Analysis		2008	2009	2010	2011
Number of Cows					
Before Family Living/Taxes/Debt Payments	74	87	90	85	
After Family Living/Taxes/Debt Payments	91	100	102	96	
Herd Production / Cow					
Before Family Living/Taxes/Debt Payments	12,200	13,317	13,233	13,827	
After Family Living/Taxes/Debt Payments	15,316	15,338	15,128	15,859	
Total Milk Production / Year					
Before Family Living/Taxes/Debt Payments	1,158,974	1,464,872	1,587,949	1,659,231	
After Family Living/Taxes/Debt Payments	1,454,974	1,687,138	1,815,344	1,903,036	
Milk Price					
Before Family Living/Taxes/Debt Payments	14.87	15.28	14.34	13.48	
After Family Living/Taxes/Debt Payments	18.67	17.59	16.39	15.46	

Bill's & Mike's Debt Structure (2007-2011)	Existing Balance 5/07	New Loans	Original							
			Rate	Term	P&I/yr	Bill 2007	Bill 2008	Mike 2009	Mike 2010	Mike 2012
Chattel Debt										
VACC (present chattels)	70,620		6.75	7	21,876	21,876	21,876			
VACC (5/07) - \$12M - open accounts		12,000	6.75	7	2,088	1,043	2,088			
VACC (1/08) - \$35M - Mixer Wagon		35,000	6.75	7	6,292		6,292			
FSA (1/09) - \$150M - Mike's Purchase of M&E		150,000	5.125	7	26,042			26,042	26,042	26,042
Real Estate Debt										
VACC (present R/E)	76,191		7.40	25	7,378	7,378	7,378	7,378	7,378	7,378
Yankee Farm Credit (present R/E)	85,794		8.25	20	12,600	12,600	12,600	12,600	12,600	12,600
Yankee Farm Cr (7/08) - \$115M - parlor/hoop barn		115,000	8.25	20	11,771		5,886	11,771	11,771	11,771
Total Farm Annual Payments						42,897	56,120	57,791	57,791	57,791
Bill's Annual Debt Payments						42,897	56,120	31,749	31,749	31,749
Mike's Annual Debt Payments								26,042	26,042	26,042
Mike's Annual Lease (2008 - 2011)										
Bill's R/E Debt Service								31,749	31,749	31,749
Bill's R/E Taxes								5200	5200	5200
Bill's Insurance								2400	2400	2400
Total Annual Lease								39,349	39,349	39,349

Financing Options

ANNUAL PAYMENTS

WORKSHEET

As of 10/12/07

Barn


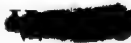


	Rate	Term	Factor	Loan Amount (1000)								
				250	225	200	175	150	125	100	75	50
FSA	5.75%	F	40	64.38	16,095	14,486	12,876	11,267	9,657	8,048	6,438	4,829
VACC	6.75%	V	20	102.36	22,830	20,547	18,264	15,981	13,698	11,415	9,132	6,849
VACC w/FSA guar	7.40%	F	25	98.52	24,630	21,960	19,791	17,592	15,393	13,194	10,995	8,796
Yankee FC												
(- \$250M)	8.25%	V	20	102.36	25,590	23,031	20,472	17,913	15,354	12,795	10,236	7,677
(+\$250M)	7.75%	V	20	98.52	24,630	22,167	19,704	17,241	14,778	12,315	9,852	7,389

Cows/Equip

FSA	5.125%	F	7	173.61	43,403	39,062	34,722	30,382	26,042	21,701	17,361	13,021
VACC	6.75%	V	7	179.76	44,940	40,446	35,952	31,458	26,964	22,470	17,976	13,482

Appendix E: Technical Assistance Report – Farm Planning Services, LLC

 **Farm**


1803  Hill Road
 VT 

Free-stall Expansion

Prepared by Farm Planning Services, LLC
John C. Porter
41 River Road
Boscawen, NH 03303

Telephone: 603-753-4328

E-mail: johncporter@verizon.net

November 2, 2007

Tel# 802 [REDACTED]

Dear [REDACTED],

I enjoyed visiting your farm and seeing the enthusiasm you have for the dairy industry. I apologize for being late and appreciated your patience. I saw parts of Vermont I never knew existed.

I can empathize with your desire to make some changes to make your operation run more efficiently. Unfortunately you have a lot of things that need to be changed at once. There are three main areas: milking center, milking herd housing and silage storage. It may be a challenge to the cash flow to address all of them at once, so I would say the priority would be the cattle housing and silage storage first and then the milking center. Although milking is a tough chore, you do have a way to get it done.

Milking Center

- We discussed putting a step-up parlor in one end of the tie-stall barn along with a holding area. A double-6 will use up about 24' of the barn, which will probably leave about 75' for the holding area, which would hold about 50 cows (9' alley x 75' long divided by 15 square feet per cow and allowing for the first 12 to go straight into the parlor). The holding area could be defined by putting gates or a plank fence along the posts by the gutter and then clean by pushing the manure into the gutter cleaner.
- The ceiling height was the main issue. I would suggest getting a contractor's opinion on supporting the vertical barn beams with an "I" beam supported on each end with a vertical post and then raising the ceiling 2-3'
- You need to work with a milking equipment installer to figure out the specific dimensions needed. I would suggest a raised platform along with recessed pits with drains to get the maximum cow height. You'll need to work out the details of the front exits and steps down. You may need to have the gutter cleaner cross over prior to the parlor for good cow flow onto the elevated steps. See the attached general fact-sheet on step-up parlors.

Cattle Housing

- We discussed building a 4-row, drive-through free-stall barn. This could be behind the present barn, about where the silage is now stored. We need to also plan for the future

new milking center. I had been thinking that the milking center would go parallel to the barn on the right, but Chris had a good idea of putting it on the left. It will need a width of about 160' (96' for the barn, 25' connector to the parlor and a 40' wide parlor). This is doable by making an earth cut into the bank. I would recommend excavating the entire building site at the beginning and then use the extra width for your temporary bunker silos. Putting the future milking center on the left makes it line up with the present driveway. (See rough master plan sketch.)

- The 4-row free-stall would be the standard design. This could be traditional construction or a hoop building (see attachment.).

Bunker Silos

- The temporary bunker silos could go on the pad with the barn, but in the future plan for them to be on the level, past the end of the barn. Calculate the width to take off a 6" slice per day. In a silo 45'x 10', a 6" slice would be about 9,000lbs. (45'x10'x.5' x 40 lbs/cu. ft.). See bunker silo attachment for calculating sizes. An upper road may have to be planned for hauling feed into the silos at harvest time. You could make one large silo and plan to add a center divider to separate corn and haylage. Pre-cast panels are very flexible.

Cost

- Rough estimates are: \$2,000/stall for the cow barn; milking parlor \$5,000 per stall for equipment and \$10,000/stall for the building. I would hope that you could build a low budget step-up for under \$50,000.

Steps

- Contact NRCS about location of the future parlor and barn by the ditch area and provisions for milk room waste handling, manure storage, and earth cuts and grades.
- Talk to an excavator person about the earth moving.
- Get step-up parlor designs from milking equipment company.
- Get some rough bids from a contractor and hoop company for building a barn.
- Work out cash flow with Mike and Betsy.

Feel free to contact me if you have questions.

Sincerely,



John C. Porter
Farm Planning Services, LLC
41 River Road
Boscawen, NH 03303
603-753-4328
Johncporter@verizon.net

cc: Betsy Miller
Michael Dolce



↑ BARN LOCATION



↑ DRIVEWAY ENTRANCE

